



# ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000  
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100  
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778  
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

*Paul Matson*  
Director

## MINUTES OF A MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS COMMITTEE

**HELD ON**  
**Thursday, August 11, 2011**  
**2:00 p.m., Arizona Time**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Steven Zeman, Chair, called the meeting to order at 2:00 p.m.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Steven Zeman, Chair  
Mr. Tom Manos, Vice-Chair (Via Teleconference)  
Mr. David Byers  
Mr. Kevin McCarthy

Absent: None

A quorum of the Committee was present for the purpose of conducting business.

### **2. Approval of the May 26, 2011 Public and Executive Session Minutes of the OC Meeting**

**Motion:** Mr. David Byers moved the regular and executive session minutes of the May 6, 2011 OC meeting be accepted. Mr. Kevin McCarthy seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

### **3. Presentation, Discussion and Appropriate Action Regarding the ASRS Biennial Risk Assessment for Fiscal Years (FY) 2012 and 2013**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, addressed the Committee regarding the ASRS Biennial Risk Assessment for Fiscal Years (FY) 2012 and 2013. He gave a brief review of the background of the risk assessment and noted that the assessment did not include the Investment Management Division.

He gave an overview of the priorities of the risk assessment including: 1) risk associated with financial loss and/or fraud, 2) risk associated with rising health insurance costs, 3) risk associated with the loss of a positive public image by members, stakeholders and the public, 4) risk associated with changing legislation and the long-term viability of plan benefits, 5) risk associated with delays in a timely migration to more web-based online contracts and transaction, 6) risk associated with outdated business applications, 7) risk associated with the cost and

efficiency of using a third-party vendor to administer the Long Term Disability program, and 8) risk associated with the inability to attract and retain qualified staff.

**Motion:** Mr. David Byers moved to accept the Biennial Risk Assessment for Fiscal Years 2012 and 2013 as present with a request for changes by staff and the assessment be forwarded to the ASRS Board. Mr. Kevin McCarthy seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

Mr. Manos departed the meeting at 2:57 p.m.

#### **4. Presentation, Discussion and Appropriate Action Regarding Proposed Changes to Member Statements**

Mr. Guarino introduced Mr. Dave King, Assistant Director, Member Services Division, who addressed the Committee regarding a proposal to discontinue mailing a long-format, printed copy of the member statement and transition over to an "on demand" statement that would be available in printable form on the ASRS website. He noted the potential savings to the agency. He also stated the information on the website provided up-to-date information as opposed to the member statements which contain information that is at least three months old. Mr. King presented a list of pros and cons regarding the change as well as a timeline for implementation.

**Motion:** Mr. Kevin McCarthy moved to accept the ASRS staff recommendation to replace the mailed long-format member statement with an "on demand" statement available on the ASRS website beginning September 2012. Mr. David Byers seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

#### **5. Review of Recently Conducted Audits**

- **Payroll**
- **City of Surprise**

Mr. Bernard Glick, Chief Internal Auditor, presented the Committee with two audits. The first audit was of the ASRS Payroll. Mr. Glick said there were five finding including: 1) all audit objectives were met by the agency, 2) Payroll had accepted timesheets that were prepared and signed by the employee and supervisor one week prior to when they were due, 3) the agency did not follow procedure for retired, return-to-work staff to meet the requirements of the mandatory state furlough, 4) the agency did not follow a procedure for employment recruitment or terminations which required executive management approval, and 5) the agency was inconsistent in its method of reimbursing employees who use vehicles for business purposes. According to Mr. Glick, ASRS management is taking appropriate action in response to each finding.

The second audit was of the City of Surprise. Mr. Glick stated there were four major finding: 1) the City deducted ASRS contributions from part-time employees who did not meet the 20/20 membership eligibility criteria, 2) the City did not report ASRS contributions for 11 part-time employees who were eligible for membership in the ASRS, 3) the City deducted ASRS contributions from 81 employees who chose Medical Opt-out which is not subject to ASRS contributions, and 4) the City did not report ASRS contributions on various allowances and stipends. The amount due the City is \$38,994.15.

## **6. Presentation, Discussion and Appropriate Action Regarding the Internal Audit Quarterly Update**

Mr. Glick presented a spreadsheet containing the summary of internal audits through the period ending June 2011, which was the end of the fiscal year. The spreadsheet listed the audits, the hours budgeted, and estimates of how many hours were used to perform the audits. Mr. Glick noted that all but two scheduled audits had been completed. He also highlighted the scope of work required by the Internal Audit Division in the Audit Charter, and he noted these requirements were met by the staff in FY 2011.

## **7. Presentation, Discussion and Appropriate Action Regarding ASRS Fiscal Year 2012 Staff Retention Plan**

Mr. Guarino addressed the Committee regarding a proposed staff retention plan for Fiscal Year (FY) 2012. He said the plan was created to retain quality staff, further enhance the agency's focus on reducing costs requirements, and to bolster staff morale. He noted that ASRS staff salaries are collectively below pension peer groups and the average salaries of other state employees. Mr. Paul Matson, Director, and Mr. Guarino also discussed the parameters of the plan and its implementation and responded to questions.

**Motion:** Mr. David Byers moved to accept the Fiscal Year 2012 ASRS Staff Retention Plan. Mr. Kevin McCarthy seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

## **8. Request for Future Agenda Items**

There were no requests by the Committee.

## **9. Call to the Public**

No members of the public addressed the Committee.

## **10. Adjournment of the OC**

Mr. Steven Zeman adjourned the meeting at 3:50 p.m.

Respectfully Submitted by,

---

Zachary Kucera  
Committee Secretary

---

Date

---

Anthony Guarino  
Deputy Director and Chief Operations Officer

---

Date